

**Appendix 1**

In this annex underlining indicates new text and striking through indicates deleted text.



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## Notice of Amendments

to the DFSA Rulebook in Relation to the  
Financial Service Definitions Review

(See Consultation Paper No. 71 for more details)

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<b>GENERAL MODULE (GEN)</b>
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**1 INTRODUCTION****1.1 Application**

**1.1.1** This module (GEN) applies to every Person to whom the Regulatory Law 2004 or Markets Law 2005 applies and to the same extent in relation to every such Person as that law, except to the extent that a provision of GEN provides for a narrower application.

**Guidance**

Pursuant to the application provisions in each chapter, only chapters 1 to 3 inclusive of GEN apply to a Representative Office.

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**2 FINANCIAL SERVICES**

**2.2.1** An activity constitutes a Financial Service under the Regulatory Law 2004 and these Rules where:

- (a) it is an activity specified in Rule 2.2.2; and
- (b) such activity is carried on by way of business in the manner described in section 2.3.

**2.2.2** The following activities are specified for the purposes of Rule 2.2.1:

- (a) Accepting Deposits;
- (b) Providing Credit;
- (c) Providing Money Services;
- (d) Dealing in Investments as Principal;
- (e) Dealing in Investments as Agent;
- (f) Arranging Credit or Deals in Investments;
- (g) Managing Assets;
- (h) Advising on Financial Products or Credit;
- (i) Managing a Collective Investment Fund;

- (j) Providing Custody;
- (k) Arranging Custody;
- (l) Effecting Contracts of Insurance;
- (m) Carrying Out Contracts of Insurance;
- (n) Operating an Exchange;
- (o) Operating a Clearing House;
- (p) Insurance Intermediation;
- (q) Insurance Management;
- (r) Managing a Profit Sharing Investment Account;
- (s) Operating an Alternative Trading System;
- (t) Providing Trust Services;
- (u) Providing Fund Administration;
- (v) Acting as the Trustee of a Fund; and
- (w) Operating a Representative Office.

**Guidance**

Note that the ambit of these activities in Rule 2.2.2 may be restricted under COB, AMI or REP and may be fettered by the continuing operation of Federal Law.

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**Exclusions**

- 2.3.2** (1) Subject to Rule 2.3.5, a Person does not carry on an activity specified under paragraphs (a), (b), (c), (d), (e), (f), (g), (h), (j), (k), (p), (q) and (r) of Rule 2.2.2 by way of business if:
- (a) the Person enters into transactions solely as a nominee for another Person and is bound to and does act on that other Person's instructions;
  - (b) the Person is a Body Corporate and carries on that activity solely as principal with or for other Bodies Corporates:
    - (i) which are within the same Group as that Person; or
    - (ii) which are or propose to become participators in a joint enterprise and the transaction is entered into for the purposes of or in connection with that enterprise;

and for the purposes of the activities specified in paragraphs (g), (j), (k) and (r) of Rule 2.2.2 the assets in question belong to a Body Corporate falling within (i) or (ii); or

- (c) the Person carries on the activity solely for the purposes of or in connection with the sale of goods or the supply of services to a customer of the Person or a member of the same Group, provided that:
  - (i) the supplier's main business is to sell goods or supply services and not to carry on any Financial Service; and
  - (ii) the customer is not an individual;

and for the purposes of the activities specified in paragraphs (g), (j), (k) and (r) of Rule 2.2.2 the assets in question belong to that customer or member.

(2) A Person who is a Body Corporate does not carry on the activity specified under paragraph (d) or (e) of Rule 2.2.2 by way of business, if:

- (a) the Person carries on such activities as a member of an Authorised Market Institution or Recognised Body;
- (b) the Person carries on such activities for its own account or for another Body Corporate which is in the same Group as the Person, provided that any such member of the Group for which the Person acts is a wholly-owned Subsidiary of a Holding Company within the Group or is the Holding Company itself;
- (c) the Person restricts such activities to transactions involving or relating only to Commodity Derivatives on that Authorised Market Institution or Recognised Body;
- (d) the main business of the Person is dealing in relation to Commodity Derivatives; and
- (e) the Person is not part of a Group whose main business is the provision of financial services.

**Guidance**

~~Where a Person transacts, for his own account or for another Body Corporate which is in the same Group as the Person, in Commodities Derivatives on a specific Authorised Market Institution or a Recognised Body, such Person may apply to the DFSA for a disapplication of GEN Rule 2.2.2(d) and (e) by modification to GEN 2.3.2, subject to it being in good standing and repute and having the relevant expertise in relation to such activity. [Added] [VER15/07-07]~~

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## **2.5 Providing credit**

**2.5.1** In Rule 2.2.2 Providing Credit means providing a Credit Facility to a Person in his capacity as a borrower or potential borrower.

### **Exclusions**

**2.5.2** A Person who is an Authorised Firm does not Provide Credit where the provision of the Credit Facility Financial Service is incidental to or in connection with ~~another Financial Service other than Accepting Deposits~~ the trading of Investments, or conducting Insurance Business.

### **Guidance**

1. Where an Authorised Firm is providing brokerage services pursuant to its Financial Service of Dealing in Investments as Agent, it may in the ordinary course of that business also be necessary to provide margin lending facilities to its Clients. In doing so the Authorised Firm will not be considered to be Providing Credit to its Client.
2. Where an Authorised Firm is Effecting Contracts of Insurance or Carrying Out Contracts of Insurance, it may in the ordinary course of that Insurance Business be necessary to provide an instalment contract to a Client with respect to the payment of an insurance premium. In doing so the Authorised Firm will not be considered to be Providing Credit to its Client.

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## **2.7 Dealing in investments as principal**

**2.7.1** In Rule 2.2.2 Dealing in Investments as Principal means buying, selling, subscribing for or underwriting any Investment as principal.

### **Exclusions**

**2.7.2** A Person does not Deal in Investments as Principal merely by accepting an instrument, creating or acknowledging indebtedness in respect of any loan, credit, guarantee or other similar financial accommodation which that person has made or provided.

**2.7.3** A Person does not Deal in Investments as Principal by issuing or redeeming Securities issued by that Person.

**2.7.4** A Person who is not an Authorised Firm or an Authorised Market Institution does not Deal in Investments as Principal in relation to an Investment by entering into a transaction with or through an Authorised Firm or a Regulated Financial Institution.

**2.7.5** A Person who is an Authorised Firm does not Deal in Investments as Principal if in the course of managing the assets of a Private Equity Fund:

- (a) the Person makes an initial subscription for Units of that Fund; and
- (b) the Units are held by that Person for a period of more than 12 months.

## **2.8 Dealing in investments as agent**

**2.8.1** In Rule 2.2.2 Dealing in Investments as Agent means buying, selling, subscribing for or underwriting any Investment as agent.

### **Exclusions**

**2.8.2** A Person does not Deal in Investments as Agent if the activity:

- (a) is carried on in the course of Providing Legal Services or Providing Accountancy Services which does not otherwise consist of the carrying on of Financial Services;
- (b) may reasonably be regarded as a necessary part of any other services provided in the course of that Providing Legal Services or Providing Accountancy Services; and
- (c) is not remunerated separately from the other services.

**2.8.3** A Person does not Deal in Investments as Agent if that Person:

- (a) is merely receiving and transmitting a Client order in respect of an Investment; and
- (b) does not execute the Client order for and on behalf of the Client or otherwise commit the Client to the transaction relating to the relevant Investment.

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## **2.9 Arranging credit or deals in investments**

**2.9.1** (1) In Rule 2.2.2 Arranging Credit or Deals in Investments means:

- (a) making arrangements with a view to another Person<sub>1</sub> whether as principal or agent<sub>1</sub> buying, selling, subscribing for or underwriting an Investment; or
  - (b) making arrangements for another Person, whether as principal or agent, to borrow money by way of a Credit Facility.
- (2) The arrangements in (1) include:
- (a) arrangements which do not bring about the transaction; and
  - (b) arrangements comprising or involving the receipt and transmission of Client orders in relation to Investments.
- (3) The arrangements in (1) do not include:

- (a) arrangements which amount to Operating an Alternative Trading System; or
- (b) arrangements of the kind described in Rule 2.26.1 that constitute marketing.

**Guidance**

In regard to arrangements under Rule 2.9.1(3)(b), pursuant to Rule 3.2.7, an Authorised Firm (other than a Representative Office) may carry on an activity of the kind described in Rule 2.26.1 that constitutes marketing without the need for any additional authorisation to do so.

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## **2.11 Advising on financial products or credit**

- 2.11.1** (1) In Rule 2.2.2 Advising on ~~f~~Financial ~~p~~Products or ~~e~~Credit means giving advice to a Person:
- (a) in his capacity as an investor or potential investor, or in his capacity as agent for an investor or a potential investor on the merits of his buying, selling, holding, subscribing for or underwriting a particular financial product (whether as principal or agent); or
  - (b) in his capacity as a borrower or potential borrower or as agent for a borrower or potential borrower on the merits of his entering into a particular Credit Facility.
- (2) Advice in (1)(a) and (b) includes a statement, opinion or report:
- (a) where the intention is to influence a Person, in making a decision, to select a particular financial product or an interest in a particular financial product or to enter into a particular Credit Facility; or
  - (b) which could reasonably be regarded as being intended to have such an influence.
- (3) For the purposes of this Rule and Rule 2.11.2, a “financial product” is an Investment, Deposit, Profit Sharing Investment Account or rights under a contract of Long-Term Insurance, ~~not being that is not~~ a contract of reinsurance.

**Exclusions**

- 2.11.2** A Person does not Advise on Financial Products or Credit by giving advice in any newspaper, journal, magazine, broadcast service or similar service in any medium if the principal purpose of the publication or service, taken as a whole, is neither:

- (a) that of giving advice of the kind mentioned in Rule 2.11.1; nor
- (b) that of leading or enabling Persons:
  - (i) to buy, sell, subscribe for or underwrite a particular financial product; or
  - (ii) to enter into a particular Credit Facility.

**2.11.3** A Person does not Advise on Financial Products or Credit if the activity:

- (a) is carried on in the course of Providing Legal Services or Providing Accountancy Services, which does not otherwise consist of the carrying on of Financial Services;
- (b) may reasonably be regarded as a necessary part of any other services provided in the course of Providing Legal Services or Providing Accountancy Services; and
- (c) is not remunerated separately from the other services.

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## **2.13 Providing custody**

**2.13.1** (1) In Rule 2.2.2 Providing Custody means both:

- (a) safeguarding Investments belonging to another Person or, in the case of a Fund, Fund Property; and
- (b) the administration of such Investments or Fund Property.

(2) In (1) the following activities do not constitute the 'administration of such Investments or Fund Property':

- (a) providing information as to the number and value of any Investments or Fund Property safeguarded;
- (b) converting currency; or
- (c) receiving documents relating to an Investment or Fund Property for the purpose of onward transmission to, from or at the direction of the Person to whom the Investment or Fund Property belongs.

### **Guidance**

A Person does not become a Fund Manager of a Fund merely by being appointed by a Fund Manager of a Fund to provide the Financial Service of Providing Custody to the Fund. This is because the Fund Manager remains legally accountable to the Unitholders of the Fund for the safe custody and proper management of the Fund in accordance with its Constitution and Prospectus.



## **2.14 Arranging custody**

**2.14.1** In Rule 2.2.2 Arranging Custody means arranging for one or more Persons to carry on the activity described in Rule 2.13.1.

### **Exclusions**

**2.14.2** ~~A Person (the 'first Person') does not Arrange Custody by introducing a Person to another Person (the 'custodian') who is authorised to carry on Providing Custody, if such a custodian:~~

~~(a) is not a member of the same Group as the first Person; and~~

~~(b) does not remunerate the first Person.~~

(1) A Person (the 'introducer') does not Arrange Custody by introducing a Person to another Person (the 'custodian') who is authorised by the DFSA or a Financial Services Regulator to carry on the activity described in Rule 2.13.1, if the introducer is not connected to the custodian.

(2) For the purposes of (1) an introducer is connected to a custodian if:

(a) the custodian is a member of the same Group as the introducer; or

(b) the introducer is remunerated by the custodian or a member of the custodian's Group for making the introduction.

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## PRUDENTIAL – INVESTMENT, INSURANCE INTERMEDIATION AND BANKING MODULE (PIB)

### 1.3 Categories of Authorised Firms

#### Guidance

1. Authorised Firms are divided into Categories to provide a clear framework for determining which specific Rules in PIB apply to each Authorised Firm. The Rules in this section enable an Authorised Firm to determine into which Category it falls.
2. Table 1 sets out the categorisation process diagrammatically.
3. In Table 1, an emboldened box indicates the Financial Service that is determinative of the Category into which an Authorised Firm falls. An Authorised Firm may, if authorised under its Licence to do so, conduct any number of Financial Services specified under any lower Category, than the one that applies to the Authorised Firm in accordance with this section. ~~So, for example,~~ For example, a Category 1 Firm could conduct any of the Financial Services specified under Categories 2, 3 or 4, (if authorised to do so). However, a Category 4 Firm may only conduct any of the Financial Services listed under Category 4, for which it is authorised.

#### Category 1

- 1.3.1** An Authorised Firm whose Licence authorises it to carry on the Financial Service of Accepting Deposits ~~or Providing Credit~~ and which does not meet the criteria of Category 5 is in Category 1.

#### Guidance

A Category 1 Authorised Firm may be authorised to conduct other Financial Services, but it is the authorisation for Accepting Deposits ~~or Providing Credit~~ that is determinative of its belonging to Category 1.

#### Category 2

- 1.3.2** ~~(1)~~ An Authorised Firm is in Category 2 if:
- (a) its Licence authorises it to carry on one or more of the Financial Services of Dealing in Investments as Principal or Providing Credit; and
  - (b) ~~its activities under (a) do not constitute Dealing in Investments as a “Matched Principal”~~ its dealing activities are not restricted in accordance with Rule 1.3.3(1)(a)(i); and
  - (c) it does not meet the criteria of Categories 1 or 5.
- ~~(2)~~ For the purposes of this Rule and Rule 1.3.3, an Authorised Firm Deals in Investments as a “Matched Principal” if:
- (a) ~~it enters into transactions as a principal only for the purpose of fulfilling its Clients’ orders;~~

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- ~~(b) it holds positions for its own accounts (“positions”) only as a result of a failure to match Clients’ orders;~~
- ~~(c) the total market value of the positions it holds is no more than 15% of the Firm’s Tier One Capital resources; and~~
- ~~(d) the positions are incidental and provisional in nature and are strictly limited to the time reasonably required to carry out a transaction of that nature.~~

**Guidance**

A Category 2 Authorised Firm may be authorised to conduct other Financial Services, but it is the authorisation for Dealing in Investments as Principal and the absence of the Accepting Deposits or Providing Credit authorisation that are determinative of its belonging to Category 2.

**Category 3**

- 1.3.3** (1) An Authorised Firm is in Category 3 if:
- (a) its Licence authorises it to carry on one or more of the Financial Services of:
    - (i) Dealing in Investments as Principal ~~and, (where it does so only as a Matched Pprincipal);~~
    - (ii) Dealing in Investments as Agent;
    - (iii) Managing Assets;
    - (iv) Operating a Collective Investment Ffund;
    - (v) Providing Custody;
    - (vi) Providing Trust Services (where it is acting as trustee in respect of at least one express trust); or
    - (vii) Acting as the Trustee of a Fund; and
  - (b) it does not meet the criteria of Categories 1, 2 or 5.
- (2) For the purposes of this Rule, an Authorised Firm Deals in Investments as a “matched principal” if:
- (a) it enters into transactions as a principal only for the purpose of fulfilling its Clients’ orders;
  - (b) it holds positions for its own account (“positions”) only as a result of a failure to match Clients’ orders;
  - (c) the total market value of the positions it holds is no more than 15% of the Firm’s Tier One Capital resources; and

- (d) the positions are incidental and provisional in nature and are strictly limited to the time reasonably required to carry out a transaction of that nature.

**Guidance**

A Category 3 Authorised Firm may be authorised to conduct other Financial Services, but it is the authorisation for Dealing in Investments as Agent, Managing Assets, Operating a Collective Investment Fund, Acting as the Trustee of a Fund or Providing Custody, and the absence of authorisation for the activities specified in Rules 1.3.1 and 1.3.2 that are determinative of its belonging to Category 3.

**Category 4**

**1.3.4** An Authorised Firm is in Category 4 if:

- (a) its Licence authorises it to carry on one or more of the Financial Services of Arranging Credit or Deals in Investments, Advising on Financial Products or Credit, Arranging Custody, Insurance Intermediation or Insurance Management, Operating an Alternative Trading System, ~~or~~ Providing Fund Administration or Providing Trust Services (where it is not acting as trustee in respect of an express trust); and
- (b) it does not meet the criteria of Categories 1, 2, 3 or 5.

**Guidance**

An Authorised Firm in Category 4 may not be authorised to conduct any other Financial Service; if it were so authorised it would belong to another Category. In accordance with Rule 1.3.7, only those Authorised Firms in Category 4 which are authorised to carry on the Financial Services of Insurance Intermediation or Insurance Management may hold Insurance Money.

**Category 5**

**1.3.5** An Authorised Firm is in Category 5 if it:

- (a) carries on its entire business operation in accordance with Shari'a; and
- (b) Manages a Profit Sharing Investment Account.

**Guidance**

Authorised Firms in Categories 1 to 4 may also carry out Islamic Financial Business, but only those Authorised Firms in Categories 1 to 3 may Manage a Profit Sharing Investment Account. They will not fall within Category 5 unless the whole of the business is conducted in accordance with Shari'a and they Manage a Profit Sharing Investment Account.

**Client Assets**

**1.3.6** The Rules in PIB apply to the whole business of an Authorised Firm except in relation to Clients' Assets that are held or controlled by an Authorised Firm which are not included in any prudential calculation.

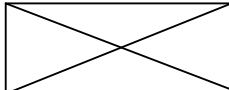
- 1.3.7** (1) An Authorised Firm in Category 4 must not hold Client Money.
- (2) An Authorised Firm in Category 4 must not hold Insurance Money unless:
- (a) it is authorised by its Licence to carry on the Financial Services of Insurance Intermediation or Insurance Management; and
  - (b) the Insurance Money is held for the purpose of carrying on its Insurance Intermediation or Insurance Management business.

### **Table 1 – Categorisation of Authorised Firms**

**Notes:**

1. The Financial Services described in the emboldened boxes are the determinants for the prudential Category. The activities set out in the boxes in the table are Financial Services (see GEN chapter 2). The Financial Services that an Authorised Firm is authorised to carry on are specified on its Licence.
2. If a Person carries on any one or more of the Financial Services specified in an emboldened box under a particular Category, then the highest such Category is that Person's Category for the purposes of this module.
3. The one and only exception to the above, is an Islamic Financial Institution which Manages a Profit Sharing Investment Account. Such an institution falls in Category 5.
4. The Financial Service of Managing a Profit Sharing Investment Account is not set out in an emboldened box because it is not a determinant for a Person's prudential Category, however, a Category 4 Firm cannot carry on such a activity, hence the crossed box under Category 4.

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Category 1	Category 2	Category 3	Category 4	Category 5
Accepting Deposits	Dealing in Investments as Principal, as a Matched Principal as defined in Rule 1.3.2 (2)	Dealing in Investments as Principal <del>where it does so</del> only as a Matched Principal as defined in Rule <del>1.3.2 (2)</del> 1.3.3 (2)	Arranging Credit or Deals in Investments	An Islamic Financial Institution whose entire business is conducted in accordance with Shari'a  <b>and</b>  which Manages a Profit Sharing Investment Account
Providing Credit	Providing Credit	Dealing as Agent	Advising on Financial Products or Credit	
		<u>Managing</u> Operating a Collective Investment Fund	Arranging Custody	
		Managing Assets	Insurance Intermediation	
		Providing Custody	Insurance Management	
		Providing Trust Services <u>as a trustee of an express trust</u>	Operating an Alternative Trading System	
		Acting as the Trustee of a Fund	Providing Fund Administration	
			<u>Providing Trust Services other than as a trustee of an express trust</u>	
Managing a Profit Sharing Investment Account	Managing a Profit Sharing Investment Account	Managing a Profit Sharing Investment Account		

## 4.2 Credit risk systems and controls

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### 4.2.2 .....

#### Guidance

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4. Generally, where an Authorised Firm has an Employee loan scheme under Rule 4.2.2(2), the DFSA expects its Governing Body to have ensured, before it or its delegate approved that scheme, that the terms, conditions and particularly limits (both at individual and aggregate level) on which credit is to be provided to Employees under the scheme are adequate and effective in addressing the risks arising from such lending. The Authorised Firm should also be able to demonstrate to the DFSA that the procedures it has adopted relating to an Employee loan scheme are adequate to address any risks arising from such lending. The DFSA expects to have access to records relating to lending under an Employee loan scheme upon request or during its supervisory visits. Any significant breach of or deviation from the procedures adopted in relation to an Employee loan scheme may also trigger the reporting requirements to the DFSA under GEN Rule 11.10.7 ~~SUP Rule 7.3.4~~.

## 8 OPERATIONAL RISK

#### Guidance

No Rules are currently in existence in respect of the prudential treatment of operational risk. However, Rules and Guidance are included in other modules of the Rulebook, primarily in GEN and ~~SUP~~, which addresses systems and controls in respect of risk and sets out DFSA's approach to risk based supervision.

## Islamic Finance Rules (IFR)

### 2 ISLAMIC FINANCE

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#### 2.4 Islamic financial instruments and products

##### Guidance

1. The DFSA regulatory regime applies to a Person carrying on any Islamic financial activities in or from the DIFC if the activity:
  - a. relates to a financial instrument or product of the kind described in Guidance Notes 3 (Profit Sharing Investment Accounts), 5 (Investments), and 7 (Takaful insurance) below; and
  - b. is conducted by way of business and not expressly excluded from regulation as a Financial Service. Note there are a number of such exclusions in GEN chapter 2.
- ~~2.~~ 2. The DFSA will, when considering the treatment of Islamic Financial Business arrangements, take a “substance over form” approach.
- ~~2.~~ 3. The issue of financial products which are Securities such as Shares, Debentures or Units as defined in GEN A2.1.2 (which are a subset of the definition of Investments – see Guidance Note 5), attracts product specific disclosure requirements such as Prospectus or Exempt Disclosure Statements. Where such products are included on an Official List of Securities or made available to the public in the DIFC, there are initial and ongoing disclosure and other obligations that apply to the Reporting Entity (generally the issuer) under the Offered Securities Rules (OSR) module. These OSR obligations are quite distinct from the obligations that apply to Persons carrying on Financial Services in respect of such financial products.

##### Profit Sharing Investment Accounts (PSIAs)

- ~~3.~~ 4. PSIAs do not fall within the GEN definitions of Investments. They are contractual arrangements under which Islamic banks invest clients’ funds, often (though not always) on a pooled basis, and are generally treated by the bank as off balance sheet. They are generally structured under Mudaraba, so that the investor in principle bears the full investment risk. Although PSIAs have the characteristics of a Collective Investment Fund, under an express exclusion provided under CIR Rule 2.3.6, they are not treated as such. Instead, Managing a PSIA is a distinct Financial Service as defined in GEN Rules 2.2.2(r) and 2.21.
- ~~4.~~ 5. Because Managing a PSIA is a Financial Service, the DFSA regulatory regime that applies to Persons carrying on Financial Services in or from the DIFC applies to Islamic banks that manage PSIAs. As PSIAs are not financial products, the issue of PSIAs, or any advising or arranging activities conducted in relation to PSIAs, especially by a third party, do not attract prospectus like disclosure or any advising or dealing related COB requirements (such as a suitability assessment). Instead, they attract a tailored regulatory regime that applies to the entity, i.e. an Islamic bank, that manages the PSIAs (see IFR chapter 5 for these Rules).



### **Investments**

- ~~5.~~ 6. Investments comprise two types of products: Securities and Derivatives. These products are defined in GEN App2. Most of the conventional Investments defined in GEN App2 can be offered as Islamic financial products, provided the relevant requirements, including Shari'a principles, are adhered to and in accordance with any Shari'a Supervisory Board rulings as applicable. While not an exhaustive list, conventional Investments that are commonly used as Islamic financial products include Shares, Sukuks, Units of Islamic Funds and also Structured Products. Increasingly, Derivatives are also being developed in accordance with Shari'a, such as a contract where the rights and liabilities of the parties are determined by reference to an underlying factor such as property of any description, currency rate or index, provided that the underlying factor in itself is Shari'a compliant and the contract does not involve any fundamental uncertainty (Gharar).
- ~~6.~~ 7. The DFSA regulatory regime applies to Persons who carry on in or from the DIFC any Financial Services activity in relation to any Islamic financial products that fall within the definition of Investments. However, particular products or instruments such as Profit Sharing Investment Accounts (PSIAs), Takaful and Islamic Funds attract product/instrument specific additional conduct and other requirements, which are included in this module.

### **Takaful insurance**

- ~~7.~~ 8. Takaful insurance generally refers to an arrangement where an insurer establishes a Shari'a compliant fund, predicated for mutual protection, where participants donate a part of their contributions to the common fund which will be used to meet claims payments and any participation rights. The Takaful insurer's role is generally confined to managing the insurance activities and investing the fund assets in accordance with Shari'a.
- ~~8.~~ 9. Persons conducting Takaful insurance are conducting Insurance Business. There are two types of Financial Services that comprise Insurance Business, ie, Effecting Contracts of Insurance or Carrying out Contracts of Insurance. Accordingly, any Person carrying on these Financial Services activities is subject to the DFSA regime for regulating Financial Services. Where such activities are carried out as Takaful insurance, there are additional Takaful specific requirements that apply to such an insurer, which are set out in this module (see IFR chapter 8). In addition, there are certain activities relating to insurance, such as advising and arranging, ~~relating to insurance~~ which are regulated as Insurance Intermediation (see GEN section 2.19). Persons conducting those activities in relation to Takaful insurance are regulated in the same way as Persons conducting such activities in relation to conventional insurance.